Connecticut Insurance Department

Patient Protection and Affordable Care Act*: Impact on Insurance

*Based on HHS guidance, regulations to date
June 1, 2012

to edit Master text styles
nd level
Third level
Fourth level
Fifth level

PPACA Provisions To Date

PPACA Prohibits:

- Pre-existing condition limitations for children under 19
- Policy cancellation due to application error*
- Lifetime dollar limits on essential benefits

PPACA Establishes:

- Pre-existing Condition Insurance Plan (PCIP)
- Appeals process (external review)*
- Extension of coverage for young adults (under 26)*
- Preventive care without cost-sharing
- Medical Loss Ratio (MLR) for rebate purposes
- Expansion of prevention coverage for women

** Connecticut had similar existing state law*

to edit Master text styles
nd level
Third level
Fourth level
Fifth level

Upcoming PPACA Provisions

In 2012:

- Carriers must submit MLR filings to HHS by May 31
- Standardized summary of benefits and coverage
- Standardized billing and electronic records

What's next…?

to edit Master text styles
nd level
Third level
Fourth level
Fifth level

…A Supremely Good Question

If PPACA is Struck, what stays? What goes?

edit Master text styles
level
d level
ourth level
Fifth level

CID Review of Insurance Laws*

Many protections already preserved in CT law

- ✓ Protections in eight (8) CT laws will remain in effect
- ✓ Protections in eleven (11) CT laws may be affected

*(Review of insurance laws administered by CID; does not include laws relating to Exchange or All Payer Claims Database)

edit Master text styles
level
d level
ourth level
Fifth level

Protections That Will Stand

- ✓ Dependent to age 26 coverage
- ✓ Appeals, utilization review & external reviews
- ✓ Prohibition excluding pre-existing conditions for 19 and younger
- ✓ Rescission reviews of health insurance
- ✓ No discrimination in choosing licensed medical provider
- ✓ Clinical trial coverage
- ✓ Guaranteed renewals in individual & group market (cont'd)

edit Master text styles
level
d level
ourth level
Fifth level

Protections That Will Stand

Patient Protections

- ✓ Health care provider choice
- ✓ Emergency services coverage
- ✓ Access to pediatric care
- ✓ Access to obstetrical & gynecological care

edit Master text styles
level
d level
ourth level
Fifth level

Protections That *Could* Be Affected

- 80-85% medical loss ratio
- Restrictions on annual & lifetime limits
- Prohibition on pre-existing conditions ages 19 & older
- Guaranteed availability in individual market
- Inclusion of essential health benefits in individual, group
- Preventive care coverage without cost-sharing (cont'd)

edit Master text styles
level
d level
ourth level
Fifth level

Protections That *Could* Be Affected

- ✓ Uniform coverage explanation
- ✓ Rating reforms
- ✓ Prohibition of salary discrimination in group plans
- ✓ Small employer definition – up to 100 employees
- ✓ No discrimination of health status in individual plans

edit Master text styles
level
d level
ourth level
Fifth level

CID Will Still Regulate Insurance By:

- Enforcing state insurance laws
- Conducting prior approval of rate filings
- Providing transparency, public comment of filings
- Reviewing all policy forms before carriers can market them
- Licensing & overseeing market conduct of carriers & producers
- Handling consumer complaints, facilitating appeals process
- Regulating financial solvency of carriers

to edit Master text styles
nd level
Third level
Fourth level
Fifth level

What We Know Today

PPACA is:

Changing the way Insurance is bought

Changing the way Insurance is priced

to edit Master text styles
nd level
Third level
Fourth level
Fifth level

CT Health Insurance Exchange

Connecticut is one of 34 states establishing an exchange

The CT Exchange – a quasi-public agency:

- Will be a one-stop marketplace for individuals, small groups
- Will NOT be an insurance company or claims payor
- Will offer plans that meet federal and state standards
- Will help consumers find and enroll in a plan
- Will coordinate eligibility and potential premium subsidies
- Begins January 1, 2014

* Individuals, small groups can also buy insurance outside of the Exchange
* * Those at 100-400% of poverty level eligible for tax credits, reduced cost sharing

to edit Master text styles
nd level
Third level
Fourth level
Fifth level

CID & The Exchange

- Non-voting member of Exchange Board
- Technical advisor to Exchange Board
- Advisory Committee Participation
  - Plan Benefits & Qualifications (co-chair)
  - Consumer Experience & Outreach
  - Brokers, Agents, Navigators
  - Small Business Health Options

to edit Master text styles
nd level
Third level
Fourth level
Fifth level

PPACA Required Benefits*

Plans must have the following Essential Benefits Categories:

- ✓ Ambulatory patient services
- ✓ Emergency services
- ✓ Hospitalization
- ✓ Maternity and newborn care
- ✓ Mental health, substance abuse disorder services
- ✓ Prescription drugs
- ✓ Rehabilitative and daily assistance services and devices
- ✓ Laboratory services
- ✓ Preventive, wellness services, chronic disease management
- ✓ Pediatric services, including oral and vision care

* Beginning Jan. 1, 2014

o edit Master text styles
d level
hird level
Fourth level
• Fifth level

Essential Health Benefits (EHB)

EHB for 2014 and 2015:

- To Be Determined by Each State
- For plans inside and outside the exchange (individual & small group)

Connecticut can choose its benchmark plan from:

- ✓ 1 of the 3 largest small group plans in CT;
- ✓ 1 of the 3 largest state employee health plans;
- ✓ 1 of the 3 largest Federal Employee Health Benefit plans;
- ✓ Largest HMO plan offered in CT commercial market

Connecticut must choose plan in 3rd Quarter of 2012
HHS may offer new essential benefit rules in 2016

to edit Master text styles
nd level
Third level
Fourth level
Fifth level

Mandated Benefit Costs in CT

Dec. 31, 2011 – HHS cutoff date for required state mandates to be included in essential health benefits

Benefits enacted that go beyond benchmark plan are the financial obligation of the state

to edit Master text styles
nd level
Third level
Fourth level
Fifth level

Rebates & Rates

2012

Carriers not meeting medical loss ratio (MLR) will rebate consumers for the difference

2014

Changes in rating laws will affect how insurance is priced

to edit Master text styles
nd level
hird level
Fourth level
• Fifth level

Medical Loss Ratio

Medical Loss Ratio (MLR): Percentage of premium dollars that a health insurance company spends on medical expenses. Determined from what carriers actually spent the previous year.

MLR Under PPACA*

Consumers receive rebates when an insurer's MLR is:

- Below 80% for individual market
- Below 80% for small group market
- Below 85% for large group market

***In determining rebate, the traditional MLR will be adjusted for:**

- Healthcare quality improvement expenses
- Taxes and regulatory fees
- Credible data from carriers

to edit Master text styles
nd level
hird level
Fourth level
• Fifth level

Rebate Deadlines

May 31, 2012 – Carriers submit MLR reports to HHS

- Experience is for 2011 from rates set in 2010*
- Reports are state specific
- MLR calculated for each market segment (individual, small & large group) in aggregate, not for each plan
- HHS will audit & post reports
- State has no regulatory role; CID will link to HHS reports

August 1, 2012 – Deadline for carriers to pay out rebates or notify policyholder if no rebate is warranted

After August 1, 2012 – Carrier must pay interest penalty on rebates

k to edit Master text styles
ond level
Third level
• Fourth level
• Fifth level

Rebate Recipients

Who is Eligible?

- Individual plans – policyholder*
- Group plans** – rebate may be paid directly to the employer and employee based on employer/employee contribution levels

Who is NOT Eligible?

- Self-funded plans
- Plans in non-credible markets (Markets without statistically significant experience)

*If former member cannot be found after good faith efforts, carrier will turn over rebate to State Treasurer as unclaimed property.

**If paid in full to the employer, the employer is responsible to distribute to employees

to edit Master text styles
nd level
hird level
Fourth level
• Fifth level

Payment* Methods

- **Lump sum check**
- **Direct debit**
- **Credit card reimbursement**
- **Credit toward premium****

*** Rebates must be $5 or more**
**** Applied on premium due on/after Aug. 1**

k to edit Master text styles
ond level
Third level
• Fourth level
• Fifth level

Rebate Examples

In this example the rebate is 10% of premium

Individual

- Policyholder: $1,000 premium x .10 = $100 rebate
- Policyholder, dependents: $3,000 premium x .10 = $300 rebate to policyholder

Group

- Total group premium paid is $4,000
- Total rebate is $4,000 x .10 = $400
- Employer paid 80% of $4,000 premium = $320 rebate to employer
- Employee paid 20% of $4,000 premium = $80 rebate (if not distributed directly to employee, employer MUST distribute)

k to edit Master text styles
ond level
Third level
- Fourth level
  - Fifth level

2014 Pricing Changes

- ✓ No underwriting for health status
- ✓ No pre-existing condition limitations
- ✓ Tighter limits for age adjustments
- ✓ No gender adjustment
- ✓ Smoking adjustments for small groups
- ✓ No industry adjustment
- ✓ No group size adjustment
- ✓ Cost-sharing minimums

to edit Master text styles
nd level
Third level
Fourth level
Fifth level

Changes in Underwriting

Market Impacted: Individual

Key Changes:

- Coverage cannot be denied based on health status
- Rates cannot be set based on health status
- Benefits cannot be limited due to health status

to edit Master text styles
nd level
Third level
Fourth level
Fifth level

Underwriting Examples*

EXAMPLE: 3 Policyholders with total premium of $900

Now: Each policyholder is charged based on health status

- Very healthy individual – $100 premium
- Sicker individual - $300 premium
- Very sick individual - $500 premium
- Total premium insurer needs to pay claims for all 3 = $900

2014: Healthier policyholders subsidize sicker

- Same rate charged regardless of health status
- Carrier still needs to collect $900 to cover claims
- Each policyholder now charged $300 premium

- * *Examples are independent of other adjustments*

k to edit Master text styles
ond level
Third level
• Fourth level
• Fifth level

3-to-1 Ratio for Age

Market impacted: Individual, small employer group

Key change:

- Premium range for old vs. young can be no larger than 3:1

The Expected Result:

- Reduced premiums for oldest policyholders
- Increased premiums for youngest adults

k to edit Master text styles
ond level
Third level
• Fourth level
• Fifth level

Age Rating Examples*

EXAMPLE: Assume 2 ages (25 and 60) and required premium of $700 to pay claims
Employer A has 10 employees (8 aged 25, 2 aged 60)
Employer B has 10 employees (8 aged 60, 2 aged 25)
Now: Premium ratio can be as much as 6:1

- Base premium for age 25 is $100
- Base premium for age 60 is $600
- Total premium for Employer A = $2000
- Total premium for Employer B = $5000

2014: Premium ratio maximum is 3:1

- Carrier still needs $700 to pay claims for both
- Base premium for age 25 is $175 (75% increase)
- Base premium for age 60 is $525 (12.5% decrease)
- Total premium for Employer A=$2450 (22.5% increase)
- Total premium for Employer B=$4450 (11% decrease)

** Examples are independent of other adjustments*

k to edit Master text styles
ond level
Third level
• Fourth level
• Fifth level

Gender Adjustment

Market Impacted: Individual and Small Employer Group

Key Change:

- Premiums cannot be set based on gender

Expected Result:

- Premiums will be blended to eliminate gender differential
- Higher premiums for older women, younger men
- Lower premiums for younger women, older men

k to edit Master text styles
ond level
Third level
• Fourth level
• Fifth level

Smoking Factor

Market Impacted: Small employer group (50 employees and under)
Key Change: Premiums can be 50% higher for smokers
Current state law: Prohibits different rates for smoker/nonsmoker (no restriction on individual plans)

EXAMPLE: Small business - 10 employees (5 smokers/5 non-smokers)
Now

- Carrier cannot use smoker/non-smoker rating factors
- Base premium rate is $100
- Total employer premium is $100/employee x 10 = $1,000

2014

- Base premium for smokers increased by 50% to $150/employee
- Base premium for nonsmokers remains at $100/employee
- Total employer premium is $1,250 (25 % increase)

o edit Master text styles
d level
hird level
Fourth level
• Fifth level

Industry Factor

Market Impact: Small employer group (50 employees and under)
Key Change: Premiums cannot be adjusted for industry type
Current law: Allows 15% differential (+/-) based on industry

EXAMPLE*: 2 Groups with required total premium $20,000

Now

- Employer of office-based industry pays $8,500 premium
- Employer of construction company pays $11,500
- Carrier needs $20,000 in premium to pay claims for both

2014

- Carrier still needs $20,000 in premium to pay claims for both
- Premium for office employer increases 18% to $10,000
- Premium for construction employer decreases 13% to $10,000

** Examples are independent of other adjustments*

k to edit Master text styles
ond level
Third level
• Fourth level
• Fifth level

Group Size Adjustment

Market Impact: Small employer group (50 employees and under)

Key Change: Premiums cannot be based on size of employer group

Current law: Premiums can vary up to 25% more for smallest group

Expected Result: Smallest groups should see decrease in premiums, larger groups should see increase

k to edit Master text styles
ond level
Third level
- Fourth level
  - Fifth level

Group Size Examples*

2 groups, one with 50 employees, one with 2 employees

Now:

- Base premium rate for group of 50 is $100
- Total premium for group of 50 is $5000
- Base premium rate for a group of 2 is $125
- Total premium for a group of 2 is $250

2014:

- Base premium rate for group of 50 is $112.50 (12.5% increase)
- Total premium for group of 50 is $5625
- Base premium rate for a group of 2 is $112.5o (10% decrease)
- Total premium for a group of 2 is $225

** Examples are independent of other adjustments*

k to edit Master text styles
ond level
Third level
• Fourth level
• Fifth level

Impact on Cost Sharing

Market Impacted: Individual, small group (50 employees and under)

Key Change: Carriers must pay at least 60 percent of essential benefit costs (60% actuarial value). Lower cost plans will be no longer be available.

Now: Cost sharing options are more flexible and include co-pays, deductibles and coinsurance.

2014: Actuarial values will be limited to the following:

- Platinum Plans (90%)
- Gold Plans (80%)
- Silver Plans (70%)
- Bronze Plans (60%)

k to edit Master text styles
ond level
Third level
- Fourth level
  - Fifth level

Questions